

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1241 (Delegate Howard, *et al.*)
 Health and Government Operations

Maryland Department of Health - Grants Advisor (Fair and Accessible Grant Funding Act)

This bill requires the Inspector General to appoint a Grants Advisor within the Office of the Inspector General (OIG) in the Maryland Department of Health (MDH). The Grants Advisor must carry out specified duties.

Fiscal Summary

State Effect: General fund expenditures increase by *at least* \$471,900 in FY 2020. Future years reflect annualization and ongoing costs. Revenues are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	471,900	577,300	596,500	616,900	638,100
Net Effect	(\$471,900)	(\$577,300)	(\$596,500)	(\$616,900)	(\$638,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: The Grants Advisor must:

- examine all grants awarded by MDH or its programs and make recommendations on the appropriateness of each grant award;

- prevent and detect fraud, waste, and abuse in the awarding of grants;
- conduct investigations into grant awarding policies, practices, and procedures;
- investigate complaints regarding fraud, waste, and abuse in the processes for awarding grants and any alleged violation of law or regulations that are made by State employees, applicants, and/or other interested parties, and notify the Inspector General if such an investigation is undertaken;
- if apparent criminal violations are found, report findings to the Inspector General, MDH, the Office of the Attorney General, the U.S. Attorney for the District of Maryland, and State or local prosecutors, as appropriate;
- if other apparent violations of law or regulations are found, report findings to the Inspector General, MDH, and any other appropriate body for administrative action;
- assist agencies and the public with questions regarding policies for awarding grants;
- establish policies for the effective training of employees involved in awarding grants, as specified; and
- review any internal audit report and comment as appropriate.

The Grants Advisor must submit an annual report to the Inspector General, MDH, and the General Assembly that includes (1) all findings on and recommendations for improvements to the processes for awarding grants; (2) the identification of barriers to obtaining grants from MDH for projects that deliver efficient services and provide measurable outcomes and recommendations for the elimination of the barriers; and (3) a summary and description of all grant activity by MDH during the immediately preceding fiscal year.

The Grants Advisor must have access to all applications, accounts, records, reports, and any other material related to the awarding of grants to the extent authorized under applicable federal and State privacy laws in order to carry out specified duties.

Current Law: OIG is responsible for investigating fraud, waste, and abuse of MDH funds. The Inspector General must cooperate and coordinate investigative efforts with the Medicaid Fraud Control Unit, including the referral of appropriate matters to the unit, as well as other MDH programs and State and federal agencies to ensure that a provider is not subject to duplicative audits.

Background: The mission of OIG is to promote integrity and accountability within MDH; deter, detect and investigate fraud, waste, abuse, and employee misconduct; and disseminate actionable and meaningful recommendations with the goal of protecting the interests of the State and its resources. OIG is an independent unit within MDH made up of auditors, investigators, compliance officers, and data analysts. OIG performs audits of MDH programs and health care providers that receive MDH funds, investigates and audits Medicaid providers and recipients to ensure the integrity of the Medicaid program, conducts investigations into MDH employee misconduct and allegations of fraud and abuse

within MDH, ensures compliance with federal regulations and recommendations regarding integrity and ethics within MDH programs, oversees reviews of human-subject testing and protocols, and coordinates and advises MDH and its administrations regarding privacy.

MDH advises that OIG currently audits a limited number of grants and contracts, approximately 35 annually, with a value of at least \$250,000. The purpose of OIG audits on grants and contracts includes:

- determining the amount received and allowable expenditures incurred by a program for contracts;
- determining any amount due to the State or the provider resulting from the operation of the program during the audit period;
- determining whether financial matters were conducted in accordance with the MDH *Local Health Department Funding System Manual*; and
- providing recommendations for improving internal controls and ensuring fiscal compliance or increasing efficiency.

In 2017, MDH awarded approximately 500 grants and local health departments awarded approximately 960 grants.

State Expenditures: MDH advises that the bill’s requirements are too extensive to be carried out by a single Grants Advisor and that a minimum of eight staff, including the Grants Advisor, are needed to carry out the bill’s provisions. The Department of Legislative Services concurs with this estimate.

Accordingly, general fund expenditures for MDH increase by *at least* \$471,927 in fiscal 2020, which accounts for the bill’s October 1, 2019 effective date. This estimate reflects the cost of hiring seven internal auditors to audit approximately 1,425 more grants that are awarded annually (beyond the 35 currently audited, including those awarded by local health departments), conduct investigations, assist agencies and the public with questions, and establish training policies. It also reflects the cost for one Grants Advisor to oversee the internal auditors, make recommendations to MDH on the appropriateness of each grant award, and submit the annual report. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	8.0
Salaries and Fringe Benefits	\$429,057
Operating Expenses	<u>42,870</u>
Total FY 2020 State Expenditures	\$471,927

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Prior Introductions: HB 1813 of 2018 was referred to the House Rules and Executive Nominations Committee, but no further action was taken on the bill.

Cross File: None.

Information Source(s): Office of the Attorney General; Maryland Department of Health; Department of Legislative Services

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sb/jc

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